

Message Text

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PAGE 01 EC BRU 00983 01 OF 03 041831Z

51

ACTION EUR-12

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LIMITED OFFICIAL USE SECTION 1 OF 3 EC BRUSSELS 00983

PASS TREASURY FOR PELIKAN AND EXIMBANK FOR GIANTURCO

E.O. 11652: N/A

TAGS: EFIN, EEC

SUBJECT:EC REVISES ITS DRAFT GENTLEMEN'S AGREEMENT ON EXPORT CREDITS

REFS: A. EC BRUSSELS 00896 B. EC BRUSSELS 9381, 1974

1. SUMMARY: THE EC EXPERT GROUP ON EXPORT CREDITS HAS PREPARED A REVISED DRAFT GENTLEMEN'S AGREEMENT WHICH HAS JUST BEEN MADE AVAILABLE TO THE MISSION. THIS DRAFT GENERALLY CORRESPONDS TO THE EC'S DRAFT OF NOVEMBER 19, 1974 (SEE REF B). THERE ARE, HOWEVER, CHANGES THROUGHOUT THE REVISIONS, PARTICULARLY CONCERNING EXEMPTIONS FOR LARGE SCALE PROJECTS, A DEFINITION OF OFFICIAL EXPORT CREDITS, OECD SECTORAL AGREEMENTS, AND DOWN PAYMENT TERMS.
END SUMMARY.

2. IN ACCOVERING NOT TO THE DRAFT, THE EC INDICATED
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PAGE 02 EC BRU 00983 01 OF 03 041831Z

THAT THE FIXING OF NEW MINIMUM INTEREST RATES AND

THE SCOPE OF EXEMPTIONS FOR LARGE-SCALE PROJECTS CAN ONLY BE EXAMINED AT HIGHER LEVEL THAN THAT OF EXPERTS. CONSEQUENTLY, THE EC SUGGESTS THAT THESE ISSUES SHOULD BE TAKEN UP BY A LATER MEETING OF HEADS OF DELEGATION RATHER THAN BY THE PROPOSED MEETING OF EXPERTS ON FEBRUARY 26-27. EC OFFICIALS TOLD US THAT THESE ISSUES COULD CONSTITUTE THE MAIN ELEMENTS OF A FINAL COMPROMISE AND CONSEQUENTLY SHOULD BE DECIDED AT A POLITICAL LEVEL.

3. THE EC'S NOTE ALSO INDICATED THAT IF THE US AND JAPAN PLANNED TO SUBMIT DRAFT TEXTS, THE EC WOULD NEED TO HAVE SUFFICIENT TIME TO STUDY THEM BEFORE THE EXPERT MEETING. THE MISSION IS POUCHING TO INTERESTED AGENCIES COPIES OF THIS NOTE AND THE DRAFT TEXT.

4. THE FOLLOWING IS THE TEXT OF THE EC'S REVISED DRAFT OF FEBRUARY 3, 1975: QUOTE
WORKING DOCUMENT

IN ORDER TO BRING EXPORT CREDIT INTEREST RATES INTO LINE WITH GENERAL TRENDS IN RATES AND TO PREVENT A WORSENING OF THE TERMS OF CREDIT GRANTED BY THE MAIN EXPORTING COUNTRIES, BELGIUM, DENMARK, THE FEDERAL REPUBLIC OF GERMANY, FRANCE, IRELAND, ITALY, JAPAN, LUXEMBOURG, THE NETHERLANDS, THE UNITED KINGDOM AND THE UNITED STATES, HEREAFTER CALLED THE "PARTIES", HAVE AGREED TO ABIDE BY THE FOLLOWING RULES GOVERNING OFFICIAL SUPPORT FOR EXPORT CREDITS:

I. MINIMUM INTEREST RATE

1. THE PARTIES HEREBY UNDERTAKE TO ENSURE THAT PUBLIC MEASURES AFFECTING THE RATE OF INTEREST FOR EACH EXPORT CREDIT OF OVER 2 YEARS ARE CALCULATED IN SUCH A WAY THAT THE RATE IS AT LEAST X PERCENT PER ANNUM.

2. HOWEVER, IN THE CASE OF THE CREDITS REFERRED TO UNDER 1. FOR COUNTRIES INCLUDED IN THE LIST IN ANNEX I, WHICH WAS DRAWN UP, BY COMMON AGREEMENT, LIMITED OFFICIAL USE

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PAGE 03 EC BRU 00983 01 OF 03 041831Z

ON THE BASIS OF AN ESTIMATE OF THE PER CAPITA GNP FOR 1975, THE PARTIES UNDERTAKE TO ENSURE THAT ANY PUBLIC MEASURES AFFECTING THE RATES WILL RESULT IN A RATE CORRESPONDING WITH THE MARKET RATE, ON THE UNDERSTANDING THAT STABILIZATION OF THAT RATE AT A MINIMUM OF Y PERCENT WOULD BE CONSIDERED TO CONFORM WITH THIS PROVISION.

3. FOR THE PURPOSES OF APPLYING THE ABOVE:

(A) "PUBLIC MEASURES" MEANS:

- FINANCIAL ASSISTANCE GRANTED FOR EXPORT CREDITS

BY ONE OF THE FOLLOWING:

- THE STATE;

- PUBLIC BODIES;

- CENTRAL BANKS;

- INSTITUTIONS WHICH HAVE RECEIVED FROM THE STATE,
PUBLIC BODIES OR FROM CENTRAL BANKS, A MANDATE,
GENERAL OR SPECIFIC, TO GIVE EXPORT CREDIT.

- PUBLIC REGULATION GOVERNING THE RATES OF RETURN
OF BANKS;

- PUBLIC GUARANTEES AND INSURANCE FOR THE PURPOSE OF
REDUCING INTEREST RATE.

(B) "INTEREST RATE" MEANS:

- EITHER THE FINANCING RATE OF FINANCIAL CREDITS OR
THE REFINANCING RATE OF SUPPLIER CREDITS; OR

- THE MIXED RATE CALCULATED ON A SEMI-ANNUAL BASIS,

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PAGE 01 EC BRU 00983 02 OF 03 041856Z

51

ACTION EUR-12

INFO OCT-01 ISO-00 XMB-02 AID-05 CEA-01 CIAE-00 COME-00

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LIMITED OFFICIAL USE SECTION 2 OF 3 EC BRUSSELS 00983

PASS TREASURY FOR PELIKAN AND EXIMBAND FOR GIANTURCO

AND AS OF THE DATE OF THE PRELIMINARY COMMITMENT,

WHERE ONLY CERTAIN PORTIONS OF THE CREDIT ARE FINANCED BY AN OFFICIAL EXPORT FINANCE BODY, THE REMAINING PART OF THE CREDIT BEING FINANCED, UNDER A SEPARATE CONTRACT, BY PRIVATE BANK CREDITS. THE ABOVEMENTIONED FINANCING AND REFINANCING RATES AND THE MIXED RATES

- DO NOT MEAN THE CONTRACT RATE TO BE PAID BY THE BENEFICIARIES OF THE CREDITS,
- EXCLUDE ALL:
- BANK COMMISSION OTHER THAN THAT ALREADY TAKEN INTO ACCOUNT FOR CALCULATING PUBLIC MEASURES,
- EXPORT CREDIT INSURANCE CHARGES.

II. AVERAGE REAL COST

1. THE PARTIES HEREBY ALSO UNDERTAKE TO ENSURE THAT THE ANNUAL AVERAGE REAL COST OF EXPORT CREDITS OF OVER 2 YEARS BENEFITING FROM PUBLIC MEASURES IN RESPECT LIMITED OFFICIAL USE

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PAGE 02 EC BRU 00983 02 OF 03 041856Z

OF THE INTEREST RATE IS AT LEAST /X PLUS 0.50 PERCENT /.

2. FOR THE PURPOSES OF CALCULATING SUCH ANNUAL AVERAGE EFFECTIVE COST, THE FOLLOWING IS TO BE TAKEN INTO ACCOUNT: THE TOTAL OF THE RATE OF INTEREST AS DEFINED IN 1.3 (B), ALL BANK AND CREDIT INSURANCE CHARGES, AND THE RESULT OF FINANCING A PART OF PUBLICLY SUPPORTED CREDITS AT INTEREST RATES HIGHER THAN THE AGREED MINIMUM RATE, THE COST OF EACH FINANCING BEING WEIGHTED BY ITS OUTSTANDING CONTRACT VALUE.

3. THE PROVISIONS UNDER 1. AND 2. ABOVE DO NOT APPLY TO THE CREDITS REFERRED TO IN 1.2.

III. MAXIMUM LENGTHS OF CREDIT

1. THE PARTIES HEREBY UNDERTAKE TO ENSURE THAT EXPORT CREDITS BENEFITING FROM OFFICIAL SUPPORT EITHER IN THE FORM OF PUBLIC MEASURES AS DEFINED UNDER 1.3. (A) OR IN THE FORM OF CREDIT GUARANTEES AND INSURANCE ON BEHALF OF OR WITH THE SUPPORT OF THE STATE OR ANY OTHER PUBLIC BODY, DO NOT EXCEED 8 1/2 YEARS WITHOUT PREJUDICE TO THE SHORTER PERIODS RULING FOR MOST TRANSACTIONS.

2. HOWEVER, THE MAXIMUM LENGTH REFERRED TO UNDER 1: A. IS INCREASED TO 10 YEARS FOR CREDITS TO COUNTRIES LISTED IN ANNEX II, WHICH WAS DRAWN UP BY COMMON AGREEMENT, ON THE BASIS OF AN ESTIMATE OF THE PER CAPITA GNP FOR 1975;

B. IS REDUCED TO 5 YEARS IN THE CASE OF CREDITS
TO COUNTRIES ALREADY REFERRED TO UNDER I. 2. AND
INCLUDED IN THE LIST IN ANNEX I.

3. THE LENGTHS OF THE CREDITS SHALL BE CALCULATED ON
THE BASIS OF THE STARTING POINTS DEFINED BY THE BERNE
UNION.

IV. MINIMUM PERCENTAGE OF DOWN-PAYMENTS
THE PARTIES UNDERTAKE TO ENSURE THAT IN THE CASE
OF EXPORT CREDITS BENEFITING FROM OFFICIAL SUPPORT
EITHER IN THE FORM OF PUBLIC MEASURES AS DEINED
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PAGE 03 EC BRU 00983 02 OF 03 041856Z

UNDER I.3.(A) OR IN THE FORM OF CREDIT GUARANTEES
AND INSURANCE ON BEHALF OF OR WITH THE SUPPORT OF
THE STATE OR ANY OTHER PUBLIC BODY, THE DOWN-PAYMENTS
TO BE RECEIVED, BY THE DATE OF THE STARTING POINT
OF THE CREDIT AS DETERMINED BY THE BERNE UNION AT
THE LATEST, AMOUNT TO AT LEAST 15 PERCENT. HOWEVER, THIS
MINIMUM PERCENTAGE IS INCREASED TO 20 PERCENT. FOR TRANSACTIONS
WITH COUNTRIES SHOWN ON THE LIST AT ANNEX I.

V. LOCAL COSTS
THE PARTIES WILL APPLY THE PROVISIONS OF THE ANNEX
TO DOCUMENT OECD TC/ECG/74.26.

VI. SCOPE

1. INTEGRATED LARGE-SCALE PROJECTS

A. FOR INTEGRATED LARGE-SCALE PROJECTS AND BY WAY
OF DEROGATION.....

B. BY "INTEGRATED LARGE-SCALE PROJECTS" IS MEANT:
TECHNICAL ENTITIES (AND NOT CLLECTIVE
INVESTMENT PROGRAMMES) EXCEEDING 100 MILLION
SDR IN VALUE.

C. A PARTY TO THE ARRANGEMENT MAY MAKE USE OF THE
ABOVE MENTIONED DEROGATION ONLY IF ITS EXPORTED
PART OF A PROJECT IS AT LEAST 100 MILLION SDR,
WHEREUPON OTHER PARTIES TENDERING FOR NOT LESS
THAN 10 MILLION SDR OF THE SAME TRANSACTION MAY
MATCH THESE EXCEPTIONAL TERMS.

2. SECTORAL AGREEMENTS

A. THE PARTIES AGREE TO APPLY TO THE EQUIPMENT
COVERED BY CURRENT OECD SECTORAL AGREEMENTS
THE PROVISION ON CREDIT CONDITIONS CONTAINED
IN THOSE AGREEMENTS, WHETHER OR NOT THE PARTIES
ARE SIGNATORIES TO THESE AGREEMENT.

HOWEVER, WHERE ONE OF THE CONDITIONS FOR CREDIT
SET OUT IN THIS ARAANGEMENT IS NOT COVERED BY
A SECTORAL AGREEMENT, THE PROVISIONS OF
THIS ARANGEMENT SHALL APPLY.

B. THE CREDIT CONDITIONS APPLYING TO NUCLEAR POWER STATIONS AND CIVIL AIRCRAFT AND HELICOPTERS SHALL BE SUBJECT TO THE PROVISIONS OF THIS ARRANGEMENT, EXCEPT TO THE EXTENT THAT ONE OR OTHER OF THESE LIMITED OFFICIAL USE

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PAGE 04 EC BRU 00983 02 OF 03 041856Z

CONDITIONS IS THE SUBJECT OF ACTIVE NEGOTIATION FOR OECD SECTORAL AGREEMENTS. HOWEVER, FOR CIVIL AIRCRAFT AND HELICOPTERS, THERE WILL BE A SINGLE MINIMUM INTEREST RATE WHICH WILL BE THAT DEFINED IN I.1.

3. LEASING

THE PROVISIONS OF THIS ARRANGEMENT SHALL APPLY TO EXPORT LEASING CONTRACTS.

4. AID

THE PROVISIONS OF THIS ARRANGEMENT SHALL NOT APPLY TO GUARANTEED CREDITS FORMING PART OF A NATIONAL SYSTEM OF DEVELOPMENT AID. THE PARTIES HEREBY UNDERTAKE TO EXAMINE, WITHIN THE APPROPRIATE FORUMS, THE QUESTION OF A DEMARCATION BETWEEN COMMERCIAL CREDITS AND AID CREDITS.

5. EXISTING UNDERTAKINGS AND BILATERAL AGREEMENTS

THE PROVISIONS OF THIS ARRANGEMENT SHALL NOT PREJUDICE EXISTING UNDERTAKINGS AND AGREEMENTS

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PAGE 01 EC BRU 00983 03 OF 03 041902Z

51

ACTION EUR-12

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LIMITED OFFICIAL USE SECTION 3 OF 3 EC BRUSSELS 00983

PASS TREASURY FOR PELIKAN AND EXIMBANK FOR GIANTURCO

BEFORE THEIR DATE OF EXPIRY.

6. MATCHING

BY WAY OF DEROGATION FROM THE PROVISIONS UNDER
I-V EACH PARTY MAY, AFTER SIMULTANEOUS NOTIFI-
CATION TO THE OTHER PARTIES, GRANT SOFTER TERMS
THAN THOSE REFERRED TO UNDER THESE SAME HEADINGS
TO MATCH:

-DIRECT COMPETITION BENEFITING FROM PUBLIC
MEASURES NOT IN ACCORDANCE WITH THE RULES OF
THIS ARRANGEMENT;

-THE CONDITIONS OF LINES OF CREDIT OR OTHER
BILATERAL AGREEMENTS BETWEEN ANOTHER PARTY
AND A THIRD COUNTRY UNTIL THE DATE OF THEIR
EXPIRY.

VII. IMPLEMENTATION OF THE ARRANGEMENT

1. THIS ARRANGEMENT ENTERS INTO FORCE AS SOON AS IT
IS ESTABLISHED BY MEANS OF NOTIFICATION TO THE
CHAIRMAN OF THE OECD GROUP ON EXPORT CREDITS AND
CREDIT GUARANTEES THAT THE PARTIES AGREE TO ITS
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PAGE 02 EC BRU 00983 03 OF 03 041902Z

PROVISIONS. EACH PARTY WILL THEN ANNOUNCE THIS
ARRANGEMENT WITHIN 2 WEEKS AND ENSURE THAT ITS
PROVISIONS TAKE EFFECT IMMEDIATELY ON NEW BUSINESS
OR, AS REGARDS BUSINESS IN NEGOTIATION, WITHIN SIX
MONTHS AFTER THE ARRANGEMENT HAS ENTERED INTO FORCE.

2. ALL PARTIES TO THE ARRANGEMENT UNDERTAKE TO
PROVIDE ON ANOTHER, IF SO REQUESTED, WITH ANY
INFORMATION NECESSARY TO ENSURE ITS EFFICIENT
OPERATION. ALL THE NECESSARY INFORMATION CONCERNING
THE BILATERAL AGREEMENTS MENTIONED IN VI.5 SHALL BE
NOTIFIED NOT LATER THAN 3 MONTHS AFTER THE ENTRY
INTO FORCE OF THE ARRANGEMENT.

3. ALL PARTIES TO THE ARRANGEMENT SHALL AT ALL
TIMES BE ENTITLED TO REQUEST AMENDMENTS, PARTICULARLY
IN ORDER TO DEAL WITH DEVELOPMENTS IN THE INTERNATIONAL
ECONOMIC SITUATION OR IN INTERNATIONAL COMPETITION.
ALL AMENDMENTS SHALL BE ADOPTED BY COMMON AGREEMENT
BETWEEN THE PARTIES, WHETHER THEY CONCERN THE
SUBSTANCE, THE PROCEDURE OR THE INFORMAL NATURE

OF THE AGREEMENT.

VIII. ACCESSION

PARTICIPATION IN THIS ARRANGEMENT SHALL BE OPEN
TO ALL COUNTRIES.

IX. WITHDRAWAL

WITDRAWAL BY ANY PARTY FROM THIS ARRANGEMENT
SHALL BE EFFECTIVE AFTER NOTIFICATION TO THE CHAIR-
MAN OF THE GROUP ON EXPORT CREDITS AND CREDIT GUARANTEES
OECD. SUCH NOTIFICATION SHOULD BE MADE IF POSSIBLE
45 DAYS IN ADVANCE.

LIST OF COUNTRIES IN ANNEX I

AS REGARDS IRELAND:

THE FOLLOWING FOOTNOTE COULD BE INSERTED:

AS IRELAND HAS A PARTICULAR NEED TO PURSUE A POLICY
OF INDUSTRIALIZATION AND ECONOMIC DEVELOPMENT THE
LENGTH OF CREDIT FOR PROJECTS TO BE LOCATED IN
IRELAND MAY BE EXTENED SUBJECT TO PRIOR CONSULTA-
TION AMONG THE PARTIES. UNQUOTE.

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PAGE 03 EC BRU 00983 03 OF 03 041902Z

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